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Binh Phuoc  
Cashew

Photo: IEH-member



# TOWARDS EFFECTIVE AND GOOD-WILL SOCIAL DIALOGUE IN THE CASHEW-PROCESSING INDUSTRY <sup>1</sup>



# FOREWORDS



Being one of Viet Nam's main agricultural products, the export of shelled cashew nuts amounted to over 340 000 tons - or 2,6 Billion USD in export value - in 2019. By producing low cost shelling and peeling machines the country has established itself as the leading exporter of cashew kernels to the world market. Yet, to keep such a position, the exporters in the cashew nut industry need to comply with sustainability requirements of international buyers.

Social dialogue at the workplace level is a key area where cashew exporters can strengthen their practices in order to ensure effective management-worker communication and handling of worker grievances. There is a strong business case for this, which includes not only meeting buyers' expectations, but also increasing workers' satisfaction and commitment, increasing productivity and preventing labour disputes and strikes.

This good practice guide on social dialogue is produced as part of a Norad-funded project on strengthening sustainability practices in the Vietnamese cashew nut industry, by Ethical Trade Norway and European retailers in collaboration with VINACAS, Binh Phuoc Cashew Association and other Vietnamese partners. It is produced by Dr. Do Quynh Chi, Director of the Research Center for Employment Relations (ERC), who is a leading expert in the area of social dialogue.

We hope that this good practice guide will be useful to you and provide benefit to your company. We also encourage you to attend available trainings on social dialogue offered as part of this project.

**Ole Henning Sommerfelt**  
Project Manager  
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Photo: IEH-member

Removing remainder of cashew nuts shells





# 01

## WHAT IS SOCIAL DIALOGUE?



*Social dialogue is defined by the International Labour Organisation (ILO) to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, through formal and informal forms and at different levels (national, regional, sectoral and workplace) on issues of common interest relating to economic and social policy.*

In Vietnam, social dialogue has been practiced in different forms and at various levels:



### Workplace level

Bipartite social dialogue between employers and trade unions/workers



### Multiple workplace level

Social dialogue between a group of employers (such as those located in the same industrial zone) with the local federation of labour and the local authority; social dialogue between a business association and the sectoral union or local federation of labour



### National level

Tripartite social dialogue among the government, the Vietnam General Confederation of Labour (VGCL) and national employers' organisations (the National Wage Council and the National Industrial Relations Committee)

<sup>1</sup> The brochure is developed by Dr. Do Quynh Chi, Director of the Research Center for Employment Relations (ERC) based on the ERC's training program on Development of Workplace Dialogue System, which has been conducted for enterprises in Vietnam since 2013. The examples are taken from the Baseline Study on Sustainability in the Cashew Supply Chains in Vietnam carried out by ERC and Ethical Trade Norway (IEH) in 2018. The names of companies in the examples have been anonymized

# 02

## BENEFITS OF SOCIAL DIALOGUE

### BENEFITS OF SOCIAL DIALOGUE AT MABUCHI MOTOR

*After six years of practising regular labour-management dialogue, Mabuchi Motor transformed from a company facing strikes every year and an annual attrition rate of 40% to having no more strike. Mr. Hoang Duc Nam, Deputy Director of Mabuchi Motor affirmed that the company's labour productivity increased by 44% and the attrition rate dropped to 3% within 6 years (2008-2014).*

*(Source: ILO Vietnam)*



### 1. Improvement of workers' satisfaction and commitment to the enterprise:

The fact that the employees feel respected in a corporate culture of regular and effective dialogue between workers and managers is the second most important reason, after compensation, for an employee to stay at a job.<sup>2</sup>



### 2. Increased labour productivity

Satisfied workers tend to have higher labour productivity. Besides, research show that regular dialogue is key to continuous improvement in production, productivity gain and reduction of fault rate.



### 3. Prevention of labour disputes and strikes:

According to ILO Vietnam, shortage of social dialogue was the cause of 90% of wild-cat strikes in Vietnam.<sup>3</sup>

<sup>2</sup> Anphabe survey of over 10,000 employees and 1,000 enterprises in Vietnam between 2013-2018

<sup>3</sup> For reference, below are links to studies on the role of social dialogue in continuous improvement, quality control and lean manufacturing:

(i) <https://www.ijser.org/researchpaper/Role-of-Effective-Communication-in-Total-Quality-Management.pdf>  
(ii) <https://www.diva-portal.org/smash/get/diva2:1086611/FULLTEXT01.pdf>  
(iii) <http://www.jiem.org/index.php/jiem/article/download/28/19>



#### 4. Improved compliance with job disciplines:

When the worker understands why s/he is asked to do something, s/he is more willing to comply with it.



#### 5. Effective social dialogue being the key instrument to comply with international buyers' sustainability requirements

To implement the CSR requirements of international buyers, whether it is work safety, working hours or freedom of association, it needs workers' consent and cooperation. Labour disputes may disrupt production in the supply chains. Therefore, international buyers demand their suppliers to practise regular dialogue with workers, handle grievances and resolve disputes effectively.



#### EUROPEAN CASHEW BUYER'S PERSPECTIVE ON SOCIAL DIALOGUE

*'We want our products to be produced in a sustainable way and we do not want to source from countries that do not respect basic labour rights...We want to support our suppliers to comply with basic labour standards and one of the key instruments to do so is social dialogue.'*

**- Marna Kotte, Private Label Manager, REMA 1000**  
(Source: Baseline study of Sustainability in the Cashew supply chains in Vietnam, IEH 2018)

### NEW PROVISIONS ON SOCIAL DIALOGUE IN THE 2019 LABOUR CODE

*(The 2019 Labour Code was adopted on 20th November 2019 and will come into force on 1st January 2021. The 2019 Labour Code shall replace the 2012 Labour Code)*

#### 1. Freedom of Association (Article 170-177)

- Workers have the rights to establish, join and participate in activities by grassroots-level worker representative organisations (WROs), including: (i) Those affiliated to Viet Nam Trade Union, or (ii) WROs at the enterprises (who shall, after due course of establishment, reserve the right to register into Viet Nam Trade Union).
- All WROs shall have equal rights and obligations in protection of workers' legitimate rights and interests in industrial relations.

#### 2. Collective Bargaining

WROs' right to collective bargaining at the grassroots level (Article 68)

- At enterprises where there is one WRO: such organization has the right to negotiate when their membership coverage reaches the minimum number as prescribed in the Law. At enterprises where there are more than one WROs meeting the minimum number requirement, one with the highest membership coverage shall have the right to collective bargaining.
- If none of the workers' representative organizations of an enterprise satisfies the requirements, they may link with each other to request collective bargaining if their total number of members reaches the minimum number.
- A collective bargaining agreement can only be concluded when there is at least over 50% of the workers approving
- Unsuccessful collective bargaining are linked to the process of labour dispute resettlement (Article 71).

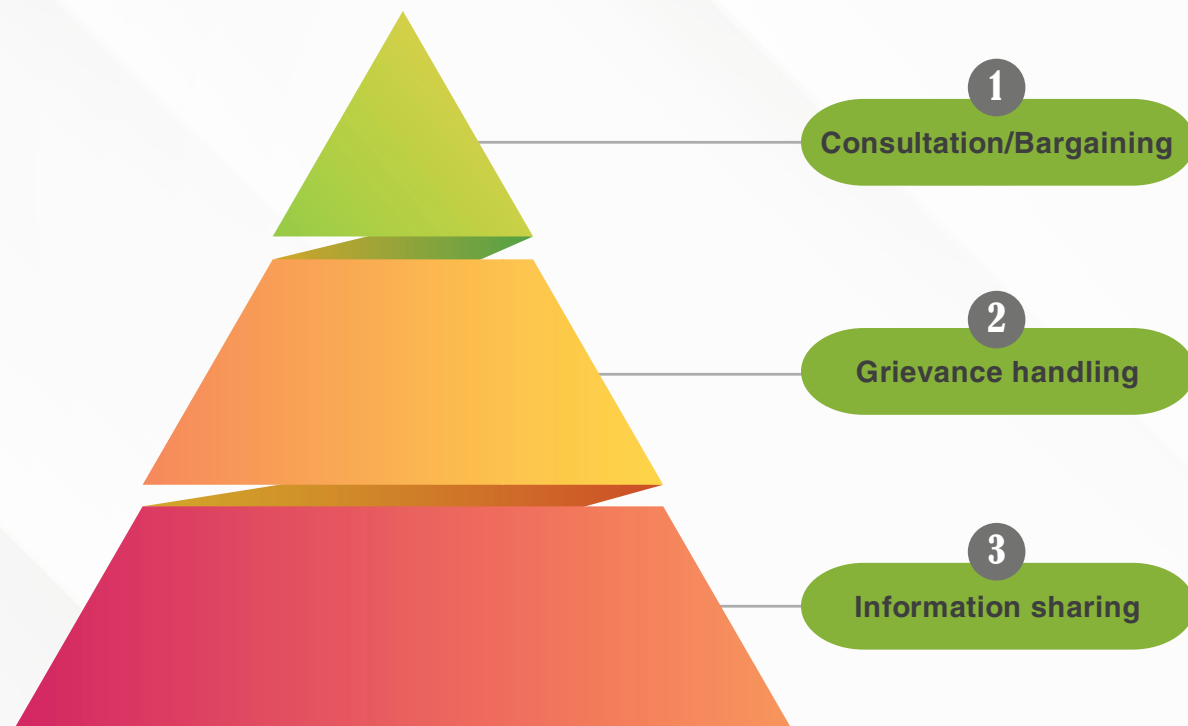
#### 3. Regular labour-management dialogue:

At least once per year (Article 63)

*(Source: ILO Vietnam)*



# PRINCIPLES OF AN EFFECTIVE WORKPLACE DIALOGUE SYSTEM



Enterprises vary in characteristics, sizes and types of workers. However, to be effective, any workplace dialogue system has to comply with the common principles as follows:

## 1. A workplace dialogue system is composed of 3 components: Information-sharing, grievance-handling and consultation/bargaining

The functioning of each component depends on one or more dialogue channels. For instance: to share information from management to workers, an enterprise can use indirect channels such as loudspeakers, bulletin and/or direct ones such as production team meetings, management-union meetings, or even meetings with all the company employees. To handle grievances, an enterprise can use suggestion boxes, the human resource department or the enterprise union officers.

## 2. To create diverse dialogue channels:

Most SMEs rely on one or two dialogue channels for all purposes. The most common channel is the team leaders who are responsible for sharing information with workers, handling grievances, and consulting workers on the company's behalf. In some companies, the human resource manager is in charge of all communication with workers including handling grievances, consultation and negotiation. However, when these channels do not function well, the labour-management dialogue risks being blocked. For example: when a team leader does not share information properly, or discourages workers' feedback, or gets engaged in a dispute with his/her workers, then the workers do not have any other channels through which they may voice their concerns. Therefore, it is crucial to create a variety of dialogue channels for the same purpose including indirect ones such as suggestion boxes, bulletin, loudspeakers and direct ones including formal meetings and informal exchanges (like private talks, phone calls, text messages and social media).

## PROTECTION OF WORKERS IN DIALOGUES

- **Protection of workers engaged in dialogues should be provided in the company rules:** the company rules should stress protection of workers from discrimination and victimisation when engaged in dialogues or grievance
- **Suggestion boxes:** should be placed at accessible but private areas such as the restrooms
- **Handling grievances:** should start with informal measures such as private talks with the complainant and the complained to prevent adverse impacts. If informal measures do not work, proceed to the formal ones

## 3. To protect workers in dialogues:

Workers will only turn to a dialogue channel if they feel safe. Concerns of victimisation or discrimination may make workers hesitant to engage in dialogues or share what they really think. For instance: workers will be deterred from using suggestion boxes that are installed in public places such as canteens, factory gates or with camera monitoring. Also, requiring workers to put their names in the grievances without guaranteeing their safety will discourage them from using the grievance channels.



### ENCOURAGING WORKERS TO FEEDBACK THROUGH PRODUCTION TEAM MEETINGS

A cashew processor just installed new machines and workers were not used to them so their production dropped. As workers were paid on piece rate, their income dropped. The workers became frustrated and some wanted to quit. The team leader organised a 10-minute meeting at the beginning of the shift with all workers. The team leader encouraged workers to speak about their concerns or raise any questions without judging them. Then the team leaders tried to respond as much as possible or continued in the next meeting. The team leader assigned experienced workers to support new workers and proposed to the company to provide salary support to the low-incomed workers for one month. Workers were enheartened and adapted quickly to the new machines.

#### 4. To create channels for workers' feedback:

The dialogue system is effective only when workers are able to feedback on the information they receive. The feedback systems must be safe and suitable for workers. For instance: when the company announces changes in working time on the bulletin, they should also ask the team leaders to check with workers if they have any questions; when the company plans to change the piece rate, it is crucial to consult workers via multiple channels such as team meetings, meetings between worker representatives and management, and even whole-company meeting if possible.

## 04 COMPONENTS OF A SOCIAL DIALOGUE SYSTEM

A complete social dialogue system consists of 3 components:

- (i) information-sharing;
- (ii) grievance-handling; and
- (iii) consultation and bargaining. The development and functioning of each component should comply with the following basic requirements:



### Information sharing

- To classify information to be shared based on levels of importance: the more important the information for workers, the more dialogue channels the company should use to share with workers
- To make sure feedback channels are available when information is shared

### SELECTION OF SUITABLE INFORMATION-SHARING CHANNELS

Vivafoods, a cashew processor, at high season needed workers to work overtime. The overtime schedule is posted on the bulletin at the factory gate 2 days before. The notice said that if a worker can not do overtime, then s/he should inform the team leader but no such feedback was received. On the day of overtime, a group of workers refused to do overtime and claimed that they were not informed.

Based on the experience, the company now informed about overtime schedule in 3 ways: (i) bulletin; (ii) loudspeakers; (iii) team leaders informing each team member, asking them to sign the consent form.

(Source: ERC-IEH Baseline study, 2018)





### Grievance-handling

- To Inform workers of the channels of receiving grievances and the procedure for addressing grievances
- To receive and address all grievances. If the manager chooses to respond to only the grievances regarded as important while ignoring those that are not, then workers will lose their confidence in the grievance system.
- Grievances should be addressed informally before using the formal procedure, For instance: a worker complains about a team leader's management. The manager in charge or the unionist should approach informally both the worker and the team leader to investigate the situation. Only when the informal approach fails should the manager proceed with the formal procedure.



### CONSULTATION WITH WORKERS ON WAGE ADJUSTMENT AT UTCASHEW

UtcasheW needed to adjust wages for workers in accordance with the new regional minimum wages. In previous years, the workers compared the new wages with those in neighboring companies and often expressed their disappointment. The HR department, therefore, surveyed the adjustments of nearby companies as well as the local living costs. On that basis, the HR department made two proposals on adjustment. The company union organised for workers to discuss the two proposals and made a vote. The union then met with the management to discuss the final adjustment. The union informed the outcome to workers via the shop stewards.



### Consultation - Negotiation

- Do not focus on the specific demands; instead, try to figure out the interests of the other party behind those demands
- Engage workers throughout the consultation/negotiation process by sharing information on the progress and/or collecting their opinions to ensure that the outcome of the consultation/negotiation is respected.

# 05

## MODEL OF SOCIAL DIALOGUE IN SMALL/MEDIUM-SIZED ENTERPRISES

### SOCIAL DIALOGUE MODEL FOR SMES

#### Core dialogue channels

#### Supplementary dialogue channels



The vast majority of cashew processors are SMEs and even micro enterprises. The SMEs have the following pros and cons in conducting social dialogue:

	Easy to organise direct dialogues between business executives and rank-and-file workers with fewer layers of middle management		Shortage of resources to build a complete social dialogue system
	Less costly to build an internal social dialogue system		Communication carried via mostly informal channels



The SMEs mainly rely on the following two dialogue channels for all purposes:

- (i) **The network of team supervisors** who are responsible for almost all tasks ranging from sharing information from management to workers, receiving and addressing grievances, and consulting workers on behalf of the management
- (ii) **An HR official or the union chairperson** (in many companies, these two positions are performed by the same person) who is in charge of receiving information from team supervisors and negotiate with workers on behalf of the top management.

Although this model fits with the structure of an SME in the food-processing industry, it may face a communication blockage when one of the two channels does not function well, like when a conflict emerges between workers and their own team supervisors or when the HR/union officer can not handle the job well. It is important, therefore, for the SMEs to build supplementary channels, such as:

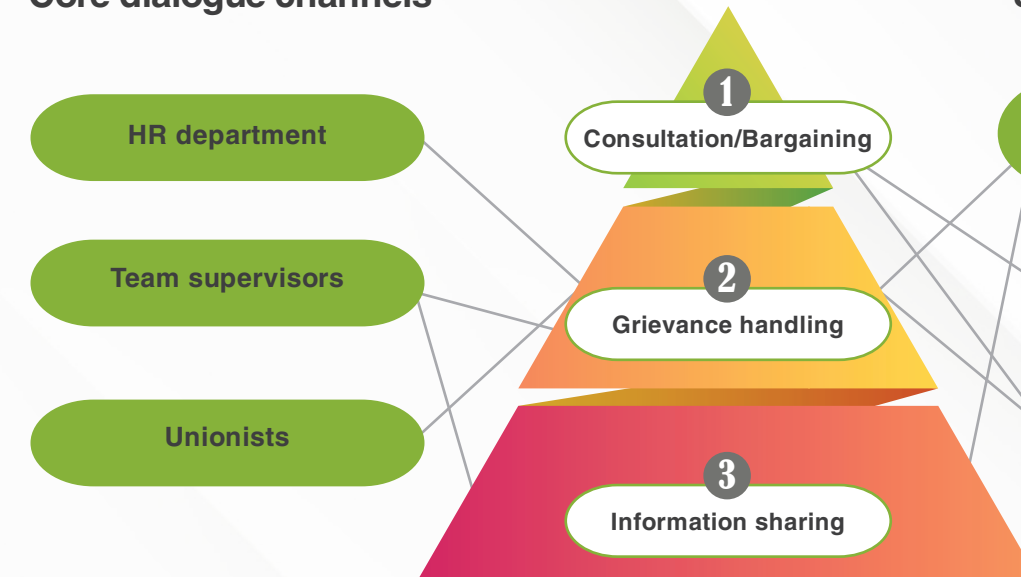
- **Monthly meetings** between the business executives and the whole workforce: direct communication between the top management and workers is the fastest way to share information, consult workers and remove confusion and misunderstanding, if any. Such meetings can strengthen the relationship between the workers and the company
- **Shop stewards:** in many enterprises, the team supervisors are also shop stewards. Though this situation is convenient for the management, it is not useful for addressing grievances, especially those related to the team supervisors themselves. Therefore, workers should be allowed to elect their own shop stewards who are not the team supervisors. The shop stewards will serve as an important dialogue channel that is supplementary to the network of team leaders.

# 06

## MODEL OF SOCIAL DIALOGUE IN BIG ENTERPRISES

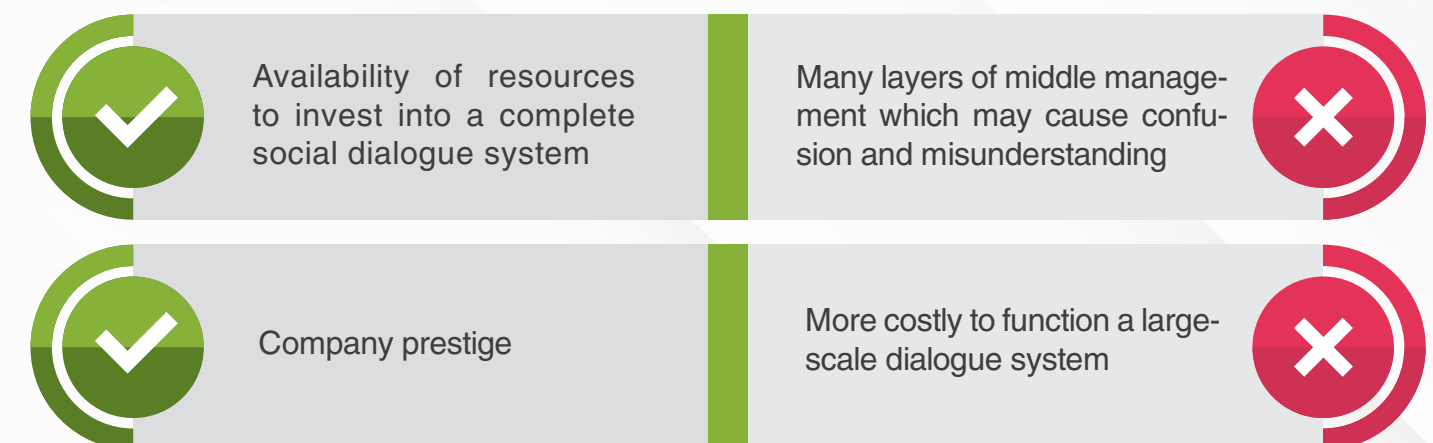
### SOCIAL DIALOGUE MODEL FOR BIG-SIZED ENTERPRISES

#### Core dialogue channels



#### Supplementary dialogue channels

Big-sized enterprises possess the following pros and cons in social dialogue:







### MANAGING THE NETWORK OF COMMUNICATION FOCAL POINTS VIA ZALO

Van Long is a cashew processor employing nearly 2,000 workers in 9 factories located in different areas in Dong Nai and Binh Duong. The company's union chairman set up a network of focal points in all factories: at each production team, workers elected one focal point. The focal points were supported by the factory unionists. The focal points and unionists all joined a Zalo chat group. They exchanged workers' concerns, difficult grievances, work safety issues, union activities and any other relevant topics. Thanks to this network, the union chairman has been able to follow the situation in all 9 factories swiftly and intervene immediately when a problem emerges.

(Source: ERC-IEH Baseline study, 2018)

The big-sized companies in the cashew-processing industry in Vietnam have developed formal mechanisms for dialogue (such as quarterly labour-management dialogues, workers' congresses, periodic meetings between management and union executive board). But these formal channels remain largely ineffective and the management have to rely on informal channels to communicate with workers, mainly via the network of team supervisors. It is crucial that the big-sized companies diversify their dialogue channels. The following channels can be considered added to the system:

- **Communication focal points:** each unit/production team elect one focal point (should be a worker) who is in charge of collecting workers' feedback and transferring it to the HR department if they can not address the feedback. This is not only a feedback channel but can also serve as a grievance-receiving one.
- **Meetings between management and worker representatives:** if the enterprise union is effective, the management can meet with the union leaders. If the enterprise union is not active, the management should consider meeting with the representatives nominated by the workers if they need to consult or negotiate with workers on important decisions.

# 07

## QUICK TEST:

### EVALUATION OF THE WORKPLACE SOCIAL DIALOGUE SYSTEM

No.	Questions	Frequently	Rarely	Never
1	Does your company inform workers through indirect channels (eg.: notice board, loudspeakers, text messages etc.)?			
2	Does your company only use one channel to inform workers on decisions, changes and policies?			
3	In meetings with workers, do managers find workers unwilling to raise their voice?			
4	Have you heard the workers complain that they do not know where to get information related to their work?			
5	Do the managers find it difficult to understand the workers' concerns and wishes?			
6	Do the managers/unionists ever refuse to reply to all workers' queries or focus on a few selected queries instead?			
7	Is it frequently the case that the management makes all decisions upon wages and employment terms without consulting workers?			
8	Does your company experience high labour turnover?			
9	Has your company experienced strikes or go-slows?			
10	Has your company experienced any other collective activism by workers?			

## EVALUATION OUTCOME

- If you do not have any answer of 'Frequently' and most of your answers are 'Never': the dialogue system in your company is stable and responds well to the basic communication needs of both workers and managers
- If you have a few answers of 'Frequently' and most of your answers are 'Never' or 'Rarely': your company is starting to have problems with the internal dialogue system. The blockage of communication between workers and managers has emerged. Based on this brochure, please review your communication system to prevent more serious problems
- If most of your answers are 'Frequently': the dialogue system in your company is ineffective and the communication between managers and workers has been frequently blocked. The risks of labour disputes and strikes are high. Based on the instructions in this brochure, the company should review immediately your dialogue system, revise and/or create appropriate dialogue channels.

Photo: IEH-member



Sorting of cashew nuts



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